

Assembly Joint Resolution No. 40

RESOLUTION CHAPTER 140

Assembly Joint Resolution No. 40—Relative to mortgages.

[Filed with Secretary of State September 18, 2012.]

LEGISLATIVE COUNSEL'S DIGEST

AJR 40, Skinner. Mortgages.

This measure would urge the Federal Housing Finance Agency, and specifically its director, Edward DeMarco, to immediately allow the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to offer principal reductions to homeowners who owe more on their home loans than what their homes are worth.

WHEREAS, Since 2008, more than half a million Californians have lost their homes to foreclosure and another half million homes are currently in foreclosure or are at imminent risk of foreclosure; and

WHEREAS, There are over 2 million California homes currently “underwater” where property owners owe more than what the home is worth and collectively the value of these homes is over \$196 billion; and

WHEREAS, Foreclosures too often become vacant, boarded-up hazards, lower surrounding property values, increase criminal activity in neighborhoods, and discourage economic development and investment in communities; and

WHEREAS, The wave of foreclosures that has already hit California substantially decreased tax revenue, which led to budget deficits, increased unemployment, and billions of dollars in cuts to schools, health services, and other vital services; and

WHEREAS, The Federal Housing Finance Agency oversees the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), the two companies that control over one-half of the home loans in the United States, and specifically over 60 percent of California mortgages; and

WHEREAS, The director of the Federal Housing Finance Agency, Edward DeMarco, has steadfastly opposed allowing Fannie Mae or Freddie Mac to offer principal reductions to homeowners who owe more on their homes than what they are worth; and

WHEREAS, On February 9, 2012, Attorney General Kamala Harris announced that California will join a national servicing settlement that is estimated to provide up to \$40 billion in benefits to borrowers across the country and much of these benefits include a program of principal reductions; and

WHEREAS, Fannie Mae and Freddie Mac refused to participate in the national settlement agreement, meaning more than one-half of the home loans in the country will see no relief from this agreement; and

WHEREAS, Many economists and housing experts agree that principal reductions are the most helpful tool for limiting the number of foreclosures; and

WHEREAS, By refusing to allow principal reductions, the Federal Housing Finance Agency is ensuring that tens of millions of homeowners nationwide will continue to owe more on their home loans than what their homes are worth; and

WHEREAS, Allowing principal reductions for Fannie Mae and Freddie Mac mortgages could deter another wave of costly foreclosures nationwide; now, therefore, be it further

Resolved by the Assembly and the Senate of the State of California, jointly, That the Legislature urges the Federal Housing Finance Agency, and specifically its director, Edward DeMarco, to immediately allow the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to offer principal reductions to homeowners who owe more on their home loans than what their homes are worth; and be it further

Resolved, That all cities and counties in California that suffer the effects of foreclosures along with the individual homeowners involved should also be engaged in efforts to convince the Federal Housing Finance Agency to offer principal reductions as a means of preventing further economic and societal harm to our communities; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the President and Vice President of the United States, to the Speaker of the House of Representatives, to the Majority Leader of the Senate, the Director of the Federal Housing Finance Agency, to each Senator and Representative from California in the Congress of the United States, and to the author for appropriate distribution.